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BOATING INDUSTRY

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FALL TRADE SHOWS ISSUE

Economic indicators point to continued prosperity for recreational boating in 1986; however, growth is not expected to rival the banner years experienced by the marine business following back-to-back recessions at the beginning of the decade. Pent-up consumer demand is no longer a factor, and the seller's market, characteristic of the last three years, has been sapped of its strength. The consumer reigns supreme.

'86 Business Outlook

How to Find a Sympathetic Banker

Matching the Worker to the Job • Why Buy a Supermicro Computer?

Overcoming Selling Roadblocks • Packaging: The Profit Multiplier

BOATING INDUSTRY

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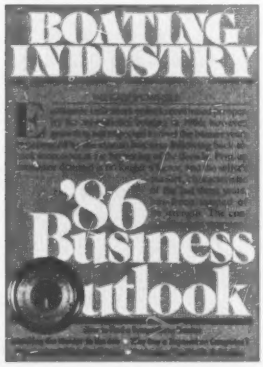

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Business barometers point to a year of continued growth and prosperity, with ample opportunity for the industry to reap a healthy profit in '86. COVER DESIGN BOUNDAS. BAROMENTER COURTESY CHELSEA CLOCK CO.

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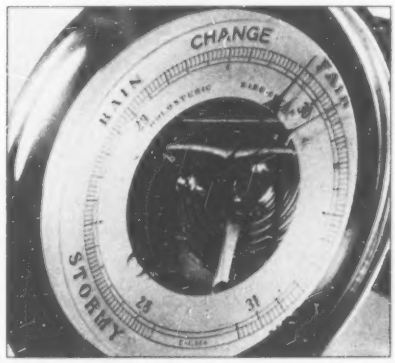

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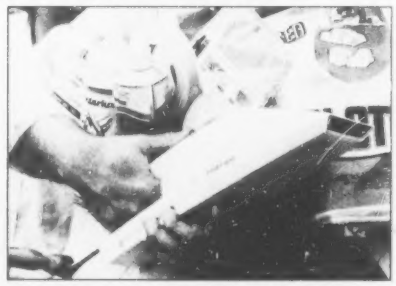

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61 1986 Business Outlook

The new model year augurs stable growth as opposed to record gains. Pent-up demand is no longer powering sales, and the availability of product has replaced buying sprees with thoughtful purchases.

68 Making a Profit on Tie-in Sales

The opportunity to multiply profits on single sales often falls by the wayside, because salespeople fail to suggest related accessories.

72 How to Wield Computer Power!

Supermicro computers, better software, plus tips on maintenance contracts, comprise the final installment in our computer series.

76 Sail's High-Tech Approach to Instruments

The latest generation of sail instruments are computer, or microprocessor-based, and have capabilities far beyond the reach of most analog instruments.

80 How to Pick Your Banker

Banks vary. And Bankers vary. Choosing the "financial partner" that can best serve your needs as a marine dealer is the key.

84 Sharpen Up Your Selling Skills

Salespeople share certain universal problems in selling. Some practical advice on how to deal with them successfully.

87 Does the Job Fit the Personality?

It's helpful to understand the behavior traits of each employee in a dealership, and how those traits affect different job functions.

Imports Up/Exports Down

BY BOB MOYAT

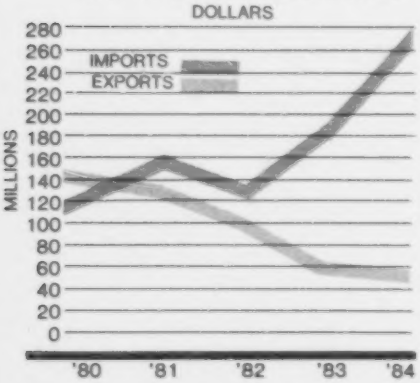
Director
NMMA Statistics Department

In 1984, imports of boats from abroad into the United States increased by 37.2% over 1983 to a total of $273,682,000. Exports of boats declined to $65,249,000, or a decrease of 8.7%. The net trade imbalance of imports over exports totaled $208,433,000.

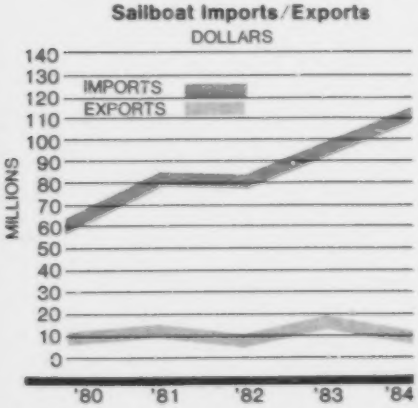
The overall United States trade deficit in 1984 totaled $110.9 billion, setting a record and representing an 83% increase over the 1983 deficit. By comparison the deficit in boat imports over exports in 1984 increased by 63%.

The deficit for all Machinery and Equipment, which pleasure boats share with such notable product categories as passenger automobiles, office machines and consumer electronics was $27.4 billion, an increase of a whopping $24.7 billion in 1984. The rise is attributed to a strong

U.S. BOAT IMPORTS/EXPORTS



Sailboat Imports/Exports



1983-84 IMPORTS — **COUNTRY: U.S.A.**

VALUE IN DOLLARS (000'S)

COUNTRY		Sailboats 1983	Sailboats 1984	Inboard/Stern-drive Motorboats 1983	Inboard/Stern-drive Motorboats 1984	Other Rigid Boats incl. Outboards 1983	Other Rigid Boats incl. Outboards 1984	Total Boats 1983	Total Boats 1984	Sailboards 1983	Sailboards 1984
CANADA	UNITS	1,796	709	39	51	4,105	5,459	5,940	6,219	721	175
	VALUE	30,377	31,600	3,042	3,434	2,311	2,566	35,730	37,600	241	110
TAIWAN	UNITS	533	503	513	723	46,265	22,293	47,311	23,519	1,275	465
	VALUE	27,715	30,075	36,589	56,754	3,358	6,209	67,662	92,538	361	122
FRANCE	UNITS	1,756	260	22	52	14,798	12,375	16,576	12,687	13,921	7,738
	VALUE	10,848	12,205	953	2,817	5,109	9,208	16,910	24,230	3,244	1,871
FINLAND	UNITS	67	86	6	10	145	7	218	103	0	8
	VALUE	7,421	10,488	430	846	287	661	8,138	11,995	0	3
NETHERLANDS	UNITS	25	32	10	12	667	599	702	643	2,103	2,130
	VALUE	2,697	4,582	2,934	9,494	248	671	5,879	14,747	663	1,052
U.K.	UNITS	404	165	62	107	5,458	12,765	5,924	13,037	619	738
	VALUE	3,041	5,880	4,150	4,933	3,985	6,432	11,176	17,245	159	189
SWEDEN	UNITS	58	73	16	12	308	10	382	95	266	757
	VALUE	2,899	3,400	829	877	240	415	3,968	4,692	70	246
HONG KONG	UNITS	32	35	49	45	242	7	323	87	654	207
	VALUE	3,381	2,999	7,290	8,391	75	438	10,746	11,828	142	54
ITALY	UNITS	116	26	19	36	4,374	1,535	4,509	1,597	319	1,407
	VALUE	5,129	1,396	2,168	6,548	384	1,581	7,681	9,525	85	338
NEW ZEALAND	UNITS	14	17	2	5	0	79	16	101	1	25
	VALUE	1,126	1,234	195	310	0	396	1,321	1,940	1	15
SINGAPORE	UNITS	1	4	57	53	3	8	61	65	0	0
	VALUE	293	497	7,528	7,941	537	1,043	8,358	9,481	0	0
JAPAN	UNITS	179	20	6,597	14,694	11,892	13,556	18,618	28,270	172	0
	VALUE	221	449	7,081	14,054	4,514	6,599	11,816	21,102	142	0
W. GERMANY	UNITS	573	332	0	1	5,336	6,230	5,909	6,563	7,230	15,711
	VALUE	1,717	1,776	0	27	1,525	1,811	3,242	3,614	2,441	5,280
OTHER	UNITS	486	205	28	43	1,432	527	1,946	775	6,942	9,926
	VALUE	2,660	5,703	2,517	6,585	1,555	857	6,732	13,145	2,724	3,664
TOTAL	UNITS	5,990	2,467	7,420	15,844	95,025	75,450	108,435	93,761	34,223	39,287
	VALUE	99,525	112,284	75,706	122,511	24,128	38,887	199,359	273,682	10,273	12,944

1983-84 EXPORTS — **COUNTRY: U.S.A.**

VALUE IN DOLLARS (000'S)

COUNTRY		Sailboats 1983	Sailboats 1984	Inboard/Stern-drive Motorboats 1983	Inboard/Stern-drive Motorboats 1984	Other Rigid Boats incl. Outboards 1983	Other Rigid Boats incl. Outboards 1984	Total Boats 1983	Total Boats 1984	Sailboards 1983	Sailboards 1984
CANADA	UNITS	38	65	369	396	2,557	2,712	2,964	3,173		57
	VALUE	1,494	1,773	6,666	9,199	5,973	6,292	14,133	17,264		145
FRANCE	UNITS	3	0	44	41	119	87	166	128		20
	VALUE	545	0	3,096	1,936	560	1,587	4,201	3,523		50
ITALY	UNITS	9	20	38	34	118	88	165	142		54
	VALUE	2,030	500	3,366	1,424	508	655	5,904	2,579		35
U.K.	UNITS	7	8	44	26	379	126	430	160		24
	VALUE	61	106	1,934	1,161	156	232	2,151	1,499		55
GREECE	UNITS	6	2	24	6	8	0	38	8		0
	VALUE	184	820	620	568	46	0	850	1,388		0
AUSTRALIA	UNITS	2	7	6	11	357	15	365	33		36
	VALUE	34	636	200	506	180	115	414	1,257		26
NETHERLANDS	UNITS	35	34	31	17	41	137	107	188		0
	VALUE	445	570	761	394	224	215	1,430	1,179		0
JAPAN	UNITS	23	2	17	19	230	180	270	201		6
	VALUE	427	54	561	394	642	718	1,630	1,166		13
NIGERIA	UNITS	0	0	8	1	17	4	25	5		0
	VALUE	0	0	104	2,157	88	57	192	2,214		0
KUWAIT	UNITS	26	13	48	50	170	339	244	402		0
	VALUE	465	547	2,007	3,413	822	653	3,294	4,613		0
W. GERMANY	UNITS	3	3	122	100	531	70	656	173		3
	VALUE	94	48	2,271	2,117	562	624	2,927	2,789		7
SPAIN	UNITS	0	2	9	30	74	32	83	64		0
	VALUE	0	1,509	266	1,374	106	217	372	3,100		0
OTHER	UNITS	301	176	343	365	2,403	2,394	3,047	2,935		80
	VALUE	10,218	5,841	15,741	9,561	8,080	8,077	34,039	22,678		74
TOTAL	UNITS	453	332	1,103	1,096	7,004	6,184	8,560	7,612	0	280
	VALUE	15,997	12,404	37,593	34,204	17,947	19,442	71,537	65,249	0	405

increase in U.S. demand for foreign-made products, whereas foreign demand for U.S. products was relatively flat. The boating industry, then, fared relatively well against the other categories in this sector, though it experienced a negative impact that paralleled U.S. trade overall.

Inboard motorboats led all import categories in 1984 with a total of $122,511,000, or 45% of all boat imports. This represented a 62% increase over 1983 or $46.8 million. Imported inboard motor cruisers in the $100,000 price range are estimated to account for 10% of the U.S. inboard market, but despite the increase in 1984 imports they did not increase their market share over 1983 due to the dramatic growth in the domestic market.

The five leading import countries for inboards in 1984 were:

Taiwan	$56,254,000
Netherlands	9,494,000
Hong Kong	8,391,000
Singapore	7,941,000
Italy	6,548,000

Exports of inboards decreased slightly to $34.2 million in 1984, down from $37.6 million in 1983.

The principal export destination countries in 1984 were:

Canada	$9,199,000
Kuwait	3,413,000
Nigeria	2,157,000
W. Germany	2,117,000
France	1,936,000

Exports of inboard motorboats accounted for 52% of U.S. boat exports in 1984.

Sailboat imports into the U.S. in 1984 increased by 13% to $112,284,000.

The majority of these imports, 1,225 units valued at $91,039,000 were in the "over 31 ft., auxiliary powered" category with an average value of $74,300. As such they represented 40% of auxiliary powered sailboats over 30 ft. sold in the U.S. market in 1984. The leading countries for sailboat imports in 1984 were:

Canada	$31,600,000
Taiwan	30,075,000
France	12,205,000
Finland	10,488,000
United Kingdom	5,880,000

Sailboard imports in the small sailboat sector also registered an increase from 34,223 units and $10,273,000 in 1983 to 39,287 units and $12,944,000 in 1984.

Exports of sailboats declined by 22% to $12,404,000 in 1984 with Canada, Spain, Greece, Australia, and

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The Changing Face of the Boating Industry

BY JEFF W. NAPIER

If you want to know the major changes coming in the marine industry in the next five to ten years, look at what has happened in the auto industry. To a large extent, we will follow the same track and for the same reasons. Those reasons are mostly associated with the fact that the marketplace rewards economic efficiency and disciplines inefficiency. The marketplace is dynamic and ever-changing and business must also change and adapt to survive—but always following the star of "greatest economic efficiency."

Change in the boating industry is influenced by many factors—the state of the national economy generally and specific economic factors such as interest rates, fuel cost and availability, growth rate of consumer discretionary income, etc. But is also influenced by the ever widening selection of competitive entertainment being offered the consumer: VCR's, vacation trips, sport equipment, second homes, etc. And, as to any company in our industry, whether manufacturer or dealer, its circumstance is also influenced by what the competition down the street is doing. Our industry's future, then, is a dynamic movement of action and reaction to these various forces.

The Marine Manufacturer

Historically, boating has been an industry of small businesses even at the manufacturing level. With only a handful of exceptions, even the bigger companies within our industry are not big compared to most other industries. This fact creates the opportunity to improve economic efficiency by economies of scale where increased size and volume can bring down unit costs and make a business more profitable and its product more price competitive.

A boatbuilder, for example, can lower his unit costs in the purchase of stern drive engines if he purchases in bigger quantities. This is so because the engine builder can, in turn, anticipate bigger production runs, a smoother production schedule, purchase his parts and pieces in bigger quantities and generally become more cost efficient. And so it is down the line of all types of boating products.

In both the boatbuilding and marine accessory manufacturing field, we have seen many corporate purchases and mergers in the last five years—as well as cases of broadened product lines—all enabling the companies involved to enjoy economies of scale and greater economic efficiency. In both economic theory and actual marketplace result, they are more competitive. Obviously, they will tend to displace the less competitive producers from the marketplace.

My guess is that significant economies of scale for a mid-range fiberglass boatbuilder probably begin at $40 to $50 million in sales. But there is an exception to the economic gravity pulling manufacturers toward a size of maximum economic efficiency: establishing a market niche.

A manufacturer in our industry or any other can successfully defy the laws of optimum size for maximum cost efficiency by a compensating product design feature, unique function, above average quality or some other value which he can reflect in his pricing. Examples of successful market niche products abound in our industry.

MORE VERTICAL INTEGRATION

A few boatbuilders, by internal growth and by acquisition, have become big national marketers in only the last three or four years with sales between $150 million and $300 million—healthy by any measure and not even believeable only a few years ago. As their sales climbed they have sometimes outgrown their suppliers and, of necessity, had to produce their own parts and pieces—whether seats or hardware or windshields. Properly done, this vertical integration of hull fabrication with the production of

(continued on page 141)

Jeff Napier brings a broad perspective to his view of the boating industry's future as NMMA President, a lawyer, banker and holder of a degree in economics. We asked him to give us his observations of some of the long-range changes in our industry at both the dealer and manufacturer levels. This article is his response.

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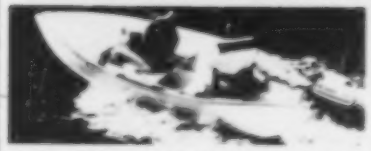

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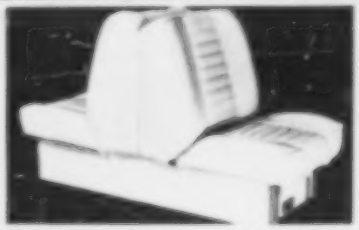

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Imports/Exports

continued from page 67

the Netherlands absorbing 42% of U.S. exports. The major disparity between imports and exports of sailboats, plus the large share of the domestic market enjoyed by foreign built boats is of major concern to domestic manufacturers. Sailboat sales have slipped to 8% of the U.S. boating market from a previous 20%, and they have not enjoyed the rebound experienced by the motorboat sector since the 1980-82 recession.

Outboard motor imports into the U.S. increased by 48% in 1984 to a total of 150,687 units. Imported outboards accounted for 36.6% of the market in 1984, up from 30.2% in 1983.

NMMA estimates that imported boating products of all types account for approximately 10%—12% of the $12 billion sold in the U.S. in 1984.

The 1985 trade outlook for the recreational boating industry is mixed. An improvement in the overall outlook for U.S. trade in general is considered dependent by some analysts upon action by Congress on the budget deficit. This in turn is expected to have an effect on interest rates and the high value of the dollar. Others point out that other factors such as the debt crisis in the Third World countries, the growth rate in the economies of the U.S.'s trading partners, and the decline in oil prices will each have a varying and separate effect on U.S. trade.

Imports of inboard power cruisers should continue to increase in 1985 due to the continuing strong domestic demand in this sector. Sailboat imports are expected to remain even or show a decline from 1984. The export outlook is mixed with some improvement expected for exports to the EEC countries. South American markets are not expected to recover in 1985 due to currency and import restrictions. The Middle East outlook is uncertain due to declining oil prices.